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The Day Ahead: Bonds Hoping to Confirm Last Week's Potential Shift

- Technicals were looking good late last week
- But some risk that month-end trading was painting a rosy picture
- we'll find out this week!

Last week marked the **first convincing attempt** on the part of the bond market to break the uptrend that began on April 8th. That trend carried 10yr yields from just under 1.7 to 1.94 before the Fed Announcement finally put an end to it. But with the Fed Announcement on Wednesday and month-end on Friday, was that enough time to 'confirm' the shift that some of the technical indicators suggested?

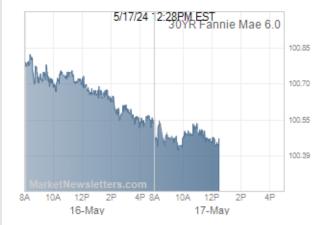
First of all, let's break down what we mean by a "technical shift." Simply put, these are tipping points at which various technical studies (math and rules applied to market movement designed to assess momentum and potential shifts in trends) hit a certain level to indicate the end of an old trend, the start of a new trend, or simply to suggest "buy/sell" signals from a trading standpoint.

For instance, in the following chart, the lower 3 panes all have positive shifts for the reasons marked. The upper pane, however, suggests a **more equivocal stance**, with 10yr yields still having trouble breaking below the middle Bollinger Band (also the 21-day moving average).

MBS & Treasury Market Data

	Price / Yield	Change
MBS UMBS 6.0	100.44	-0.11
MBS GNMA 6.0	100.70	-0.04
10 YR Treasury	4.4091	+0.0322
30 YR Treasury	4.5496	+0.0435

Pricing as of: 5/17 12:27PM EST



Average Mortgage Rates

_	0 0		
	Rate	Change	Points
Mortgage News	Daily		
30 Yr. Fixed	7.02%	+0.03	0.00
15 Yr. Fixed	6.53%	+0.03	0.00
30 Yr. FHA	6.55%	+0.03	0.00
30 Yr. Jumbo	7.31%	+0.01	0.00
5/1 ARM	7.24%	+0.04	0.00
Freddie Mac			
30 Yr. Fixed	7.02%	-0.42	0.00
15 Yr. Fixed	6.28%	-0.48	0.00
Mortgage Banke	rs Assoc.		
30 Yr. Fixed	7.08%	-0.10	0.63
15 Yr. Fixed	6.61%	+0.01	0.65
30 Yr. FHA	6.89%	-0.03	0.94
30 Yr. Jumbo	7.22%	-0.09	0.58
5/1 ARM	6.56%	-0.04	0.66
Rates as of: 5/16			

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Long story short, we were hesitant to declare a positive shift last week without reservation and we expect this week to bring enough information and market movement to **clear things up.** Major data points include the two ISM reports today and Wednesday, and of course, NFP on Friday.

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